



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. G05-78
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
OLYMPIC MEMORIAL HOSPITAL)	AND ORDER ADOPTING REPORT
FOUNDATION)	OF
)	FINANCIAL EXAMINATION

A Domestic Charitable Gift Annuity Issuer. _____

BACKGROUND

An examination of the financial condition of **OLYMPIC MEMORIAL HOSPITAL FOUNDATION** (OMHF) as of December 31, 2003, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). OMHF holds a Washington certificate of exemption to issue charitable gift annuities. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to OMHF for its comments on September 12, 2005. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners work papers, and submissions by OMHF.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 7 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **OLYMPIC MEMORIAL HOSPITAL FOUNDATION** and to order the College to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that OMHF may have implemented the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are an appropriate response to the matters found in the examination.

Olympic Memorial Hospital Foundation
Order Adopting Examination Report
December 22, 2005

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ORDER

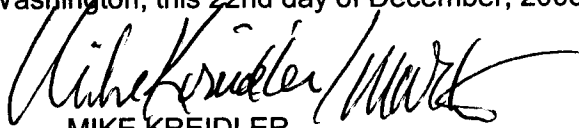
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

OMHF is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-4.

1. OMHF is ordered, pursuant to Chapter 48.38 RCW, to develop a system for accounting and reporting of its financial data to ensure its compliance with the principles or practices prescribed or permitted by the OIC and FASB's SFAS 117.
Instruction 1, Examination Report, Page 2.
2. OMHF is ordered to maintain, at all times, the required minimum unrestricted net assets to ensure its compliance with RCW 48.38.010(6). Instruction 2, Examination Report, page 3.
3. OMHF is ordered to develop a system for accounting, investing, and reporting of its charitable gift annuity business to ensure its compliance with RCW 48.38.020(1) and (2)(a). Instruction 3, Examination Report, page 4.
4. OMHF is ordered to have its financial statements audited by an independent certified public accountant and to file those audited statements in compliance with Chapter 48.38 RCW. Instruction 4, Examination Report, page 4.
5. It is ordered that OMHF consider developing and implementing a conflict of interest policy to protect the interests of the annuitants, directors, officers, and employees of OMHF. Comments and Recommendations 1, Examination Report, page 4.

IT IS FURTHER ORDERED THAT, OMHF file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how OMHF has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 22nd day of December, 2005.


MIKE KREIDLER
Insurance Commissioner

Olympic Medical Center Foundation

939 E. Caroline

Port Angeles, WA

360-417-7144

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
State of Washington
Office of the Insurance Commissioner
Olympic, WA 98504-0255

Dear Mr. Odiorne:

We would like to take this opportunity to reply to the audit of Olympic Medical Center Foundation. Your report refers to the Olympic Memorial Hospital Foundation, but the name has been officially changed.

We would like to address each of the instructions your audit staff has identified in the report.

1. Financial Reporting

The balance sheet of the foundation did include a \$500,000 charitable remainder trust contract. The foundation was informed that the contract had been established during 2002 and the amount was improperly recorded as revenue. Normally the foundation has been named the trustee of such contract, but in this particular case it was not. We are the charitable beneficiary of the contract, but at this time we do not have any information other than original notice from the attorney that the trust was set up. Accordingly we have removed this contract from our books.

We do agree that our accounting system has not met the standards of SFAS 117, but we are currently addressing that.

2. Minimum Unrestricted Net Assets

Last year your office suspended the right of the foundation to issue gift annuities until our unrestricted net assets meet the minimum required by law. We have complied with your order and have not, and will not issue additional

gift annuities until we are in compliance with all aspects of the statutes. We anticipate that our unrestricted net assets will exceed the limit when we are able to properly account for our split interest in a number of charitable remainder trusts.

3. Assets of the Separate Reserve Fund

We would like to clarify that one charitable remainder trust was improperly commingled with gift annuity reserves. However, our separate reserve account balance exceeded \$247,000 and our required reserves under state law was less than \$90,000. It has been the policy of the foundation to not spend any portion of a gift annuity until it is entirely ours. One of the revisions made by our staff in the financial statement was to reclassify a portion of this reserve account as unrestricted to indicate a true equity balance for the foundation.

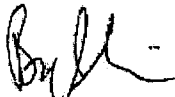
4. Audited Statements

The foundation has not had its financial statements audited by an independent certified public accountant. We intend to engage a firm for an audit by the end of this fiscal year.

The Olympic Medical Center Foundation continues to provide necessary funds for the capital acquisitions of Olympic Medical Center. We believe that after we have updated our accounting system and properly accounted for our interests in Charitable Remainder Trusts our net assets will exceed the amounts required for issuing gift annuity contracts. We would like to stress that at this time, our available reserves in our gift annuity account alone exceed the amount required by law of \$89,000 by over \$150,000 and the foundation is in no danger of becoming insolvent or failing to meet its obligations.

Again, thank you for the opportunity to respond to the audit and we would like to thank your staff for their assistance in this process.

Sincerely,



Bruce Skinner
Executive Director

Cc: Duane Wolf